

Federal Reserve Bank of Dallas February 1985

Boykin Lauds Progress Dallas Fed President Reviews Volcker's Statement

On February 20, Federal Reserve Board Chairman Paul Volcker presented to the Senate Banking Committee his semiannual report on monetary policy. Following are comments on that report from the president of the Federal Reserve Bank of Dallas, Robert Boykin.



President Boykin

Q: What do you consider the key portion of Chairman Volcker's statement to Congress?

A: Clearly the main message was that we are in the midst of an ongoing economic recovery with relatively stable prices. For example, 1984 was a good year with respect to both inflation and economic growth. Real GNP was up nearly 6 percent and the unemployment rate down more than 1 percent over the year. In fact, last December marked the seventeenth consecutive month of increasing U.S. employment and the twenty-third consecutive month of rising personal income. We can look back at two years of high economic growth and low inflation with the realistic expectation that 1985 will continue this favorable environment.

Q: Were you surprised at how well

the economy has turned out?

A: Surprised is too strong a word. I was pleased, but had some expectation of success. I think the Federal Reserve played a very large part in the good performance of the economy in 1983 and 1984.

Q: Do you agree with Volcker's continuing concern with the domestic budget deficit?

A: There is no question that something has to be done about these deficits. While they tend to stimulate the economy temporarily, their continuance presents real problems. For example, most economists would agree the large continuing deficits greatly increase the chances of reigniting inflation.

Q: Volcker stated that foreign savings financed a large share of

domestic borrowing in 1984, more than doubling the already advanced pace of inflow during 1983. Do you view this foreign investment favorably?

A: In one sense, yes. Added funding from overseas has kept pressure off interest rates. This is one of the reasons the projected "credit crunch" has not materialized. The risk, however, is that we become too reliant on this foreign money that could evaporate very quickly.

Q: Volcker noted the need for more forceful efforts by banks to deal with non-performing loans and changing financial instruments. Do you see a stable banking environment for 1985?

A: It is a difficult time for the banking industry today, with so many more players and so much more competition. Banks largely are going through a transition period—adjusting to both deregulation and disinflation. While there naturally is some settling to be done, the process should result in a healthier, more competitive financial system—which was the intent.

INSIDE

■ BRANCH BOARDS

■ BULLETIN 5 REVISED

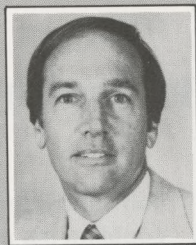
■ REG J REVISED

Appointments to Branch Boards Announced

Appointments and elections to the Branch boards of the Federal Reserve Bank of Dallas for 1985 have been announced. The board of directors of each Branch is made up of seven members. Three members are appointed by the Board of Governors in Washington, D.C., and four members are appointed by the board of directors of the Dallas Fed. The Branch chairman and chairman pro tem are elected from among the Board appointees.



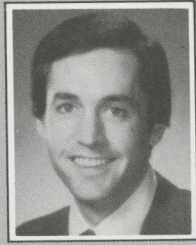
Sibley



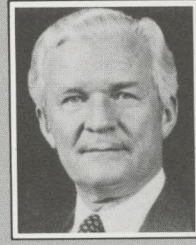
Yates



Sakowitz



Mischer



McDermott



Crum

EL PASO

John R. Sibley, president of Delaware Mountain Enterprises in Carlsbad, New Mexico, has been elected chairman of the board of directors of the El Paso Branch. Peyton Yates, president of Yates Drilling Company in Artesia, New Mexico, has been elected chairman pro tem.

Hector Holguin, founder and chairman of the board of Holguin Associates Inc. in El Paso, and Tony A. Martin, chairman of the board of First City National Bank of Midland, have been appointed directors of the El Paso Branch. Mary Carmen Saucedo, associate superintendent of the central area office of the El Paso Independent School District, and Gerald W. Thomas, president emeritus and professor of Animal and Range Sciences for International Programs of New Mexico State University in Las Cruces, have been reappointed directors.

The other director of the El Paso board is David L. Stone, president of The Portales National Bank.

HOUSTON

Robert T. Sakowitz, chairman of the board and president of Sakowitz Inc. in Houston, has been elected chairman of the board of directors of the Houston Branch. Walter M. Mischer, Jr., president of The Mischer Corporation in Houston, has been appointed a director and elected chairman pro tem.

Andrew L. Jefferson, Jr., Houston attorney, and David E. Sheffield, president and chief executive officer of First Victoria National Bank, have been appointed directors of the Houston Branch. Thomas B. McDade, vice chairman of Texas Commerce Bancshares Inc. in Houston, has been reappointed a director.

The other directors of the Houston board are Marcella D. Perry, president and chief executive officer of Heights Savings Association in Houston, and Will E. Wilson, chairman of the executive committee of First City Bank of Beaumont.

SAN ANTONIO

Robert F. McDermott, chairman of the board and president of United Services Automobile Association (USAA) in San Antonio, has been elected chairman of the board of the San Antonio Branch. Lawrence L. Crum, professor of banking and finance at the University of Texas at Austin, has been elected chairman pro tem.

Ruben M. Garcia, president and chief executive officer of Modern Machine Shop Inc. in Laredo, and Robert T. Rork, chairman of the board and chief executive officer of Republic-Bank in San Antonio, have been appointed directors of the San Antonio Branch. Joe D. Barbee, president and chief executive officer of Barbee-Neuhaus Implement Company in Weslaco, has been reappointed a director.

The other directors of the San Antonio board are George Brannies, chairman of the board and president of The Mason National Bank, and C. Ivan Wilson, chairman of the board and chief executive officer of First City Bank of Corpus Christi.

NEWS IN BRIEF

Revised Bulletin

The Federal Reserve Bank of Dallas issued a revised Bulletin 5 to reflect changes in cash transportation services, food coupon regulations and reporting discrepancies in packages of new currency. In addition, the revised bulletin established the Eleventh District currency verification policy.

With the revised bulletin, the Bank discontinued Federal Reserve-contracted armored carrier service for transportation of currency and coin to depository institutions located in Dallas, Houston, San Antonio and El Paso non-regulated metropolitan zones and to the depository institutions located in New Mexico that are serviced by the El Paso Branch. Financial institutions affected by this change were previously notified by letter.

Bulletin 5 was also amended to conform to new Food and Nutrition Service regulations which absolved the FNS of liability for shipments of food coupons lost while in transit to the Reserve Bank or to FNS.

Other changes to the bulletin were the incorporation of the Treasury Department's procedure for reporting discrepancies in currency packaged by the Bureau of Engraving and Printing and the inclusion of the Reserve Bank's currency verification policy.

Reg J Changes Adopted

Regulation J, which governs checks, has been amended by the Board of Governors in an effort to improve the system of notification of nonpayment for large checks that are processed through the Federal Reserve System. At the same time, the Board approved a proposal that would enhance the notification service currently provided by Reserve Banks as part of the check collection process. Both actions become effective in October 1985.

Under the amendment, a payor in-

stitution that returns a check of \$2500 or more must provide notice of nonpayment to the institution of first deposit, with such notice to be received by midnight of the second banking day following the day on which the payor institution is required to dishonor the check. The regulation applies only to those checks collected through the Federal Reserve—approximately one-third of all checks written.

A payor institution that failed to exercise ordinary care in providing timely and accurate notification could incur liability up to the amount of the item for resulting losses incurred by the institution of first deposit.

Considerable attention has been focused recently on the practice of some depository institutions of delaying a depositor's ability to withdraw funds deposited by check. The Board believes that the modifications made to Regulation J will prove to be an effective way of reducing risk to institutions of first deposit and, thus, encourage depository institutions to reevaluate the length of their hold periods.

The Federal Reserve Bank of Dallas and its Branch Offices will continue to provide notification of nonpayment to the institution of first deposit under the terms and conditions of the return item pilot for the duration of the pilot. The Eleventh District will also make an enhanced notification service available to depository institutions for checks collected outside the Federal Reserve.

New Fee Schedules

New fee schedules for definitive securities safekeeping and noncash collection are effective Feb. 28.

Definitive securities safekeeping involves vault storage of, primarily, municipal and corporate securities. A reregistration fee has been added to the definitive securities safekeep-

ing service to recover the cost of sending a registered security to the transfer agent for reregistration. A second result of the Board's action is the introduction of a fee to cover the higher costs of safekeeping coupon-bearing securities as opposed to registered securities. Concurrently, account maintenance fees have been lowered.

The Board also approved several changes to the fee structure for non-cash collection service. Noncash collection provides a payments mechanism designed to collect items, such as maturing bonds, debentures or coupons, that cannot be processed through normal check collection channels. The changes to the noncash collection service include the addition of a fee for handling returned coupons and the expansion of a mixed deposit program to all depository financial institutions. Fees for handling local and inter-district coupons deposited by in-district depository financial institutions have been increased but now include postage and insurance, which were previously priced separately for those not participating in the mixed deposit pilot program. The fees for bond redemptions and sales have also been increased.

1985 Securities and Noncash Collection Prices

DEFINITIVE SAFEKEEPING (price per transaction)	
Deposits	\$10.00
Withdrawals ¹	\$10.00
Maintenance ² (per receipt)	
1-400 receipts	\$2.25 ²
400 + receipts	\$2.00 ²
Purchases & Sales	\$26.50
Re-registrations ¹	\$10.00
NONCASH COLLECTION	
Local Coupon (per envelope)	\$3.00
Inter-district Coupon (per envelope)	
Fine Sort	\$3.25
Mixed	\$4.50
Bond Redemptions & Sales ¹ (per transaction)	\$20.00

¹Actual shipping costs additional.

²Plus \$0.008 per \$1,000 par value per month (applied to coupon-bearing securities only).

All That Glitters...

A gold bar worth approximately \$121,500 will be on permanent display in the Dallas Fed lobby. The 405.359 troy ounces of fine gold is on loan from the Department of the Treasury.



Roundup is published monthly by the Federal Reserve Bank of Dallas and its Branches at El Paso, Houston, and San Antonio. Additional copies of most issues and subscription information are available from the Public Affairs Department.